

Message Text

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ACTION STR-07

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INFO AMEMBASSY HELSINKI

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USMTN

ACTION STR
PASS AGRICULTURE
STR PASS CODEL

E.O. 11652: N/A
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SUBJECT: US-FINLAND AGRICULTURAL CONSULTATION

REF: (A) STATE 075534, (B) GENEVA 05873

1. SUMMARY. US AND FINLAND MET APRIL 14 TO EXAMINE
EACH OTHERS AGRICULTURAL REQUESTS AND OFFERS. FINLAND
STRESSED THAT ITS OFFER WAS A SIGNIFICANT ONE AND THAT
THERE MIGHT STILL EXIST POSSIBILITIES FOR IMPROVEMENT,
BUT THAT THE ENTIRE OFFER WAS, IN EFFECT, CONDITIONED
ON RESOLUTION OF THE COUNTERVAILING DUTY ISSUE FOR CHEESE.
FINLAND ALSO STRESSED THE IMPORTANCE IT ATTACHES TO US
ACTION ON VODKA. IN THIS CONNECTION, FINLAND EXPRESSED
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ITS STRONG OPPOSITION TO THE US PRINCIPAL SUPPLIER RULE
FOR MAKING OFFERS.

2. US DEL (NORDIC TEAM LED BY BALE) MET WITH FINNISH
DEL (PULLINEN AND LINDSTEDT) APRIL 14 TO REVIEW EACH
OTHERS AGRICULTURAL REQUESTS AND OFFERS. FINLAND NOTED
THAT A LARGE NUMBER OF US TARIFF REQUESTS WERE RESPONDED

TO IN THE FINNISH OFFER. MOREOVER, FINNISH DEL INDICATED THAT THERE MAY ALSO BE ROOM FOR IMPROVEMENT. HOWEVER, HE CAUTIONED THAT THE US SHOULD UNDERSTAND THAT FINLAND'S ENTIRE AGRICULTURAL OFFER IS CONSIDERED CONDITIONAL ON THE SATISFACTORY RESOLUTION OF THE COUNTERVAILING DUTY ISSUE FOR CHEESE. TO FINLAND, THIS MEANS CONTINUED ACCESS, FOR EMMENTHALER IN PARTICULAR, AT LEAST AT CURRENT LEVELS. REDUCTION IN U.S. DUTIES ON VODKA ALSO HAS HIGH PRIORITY FOR FINLAND.

3. ACCORDING TO FINNISH DEL, US REQUESTS ON "LEVIES" AS NTM'S WERE INAPPROPRIATE. HE SAID THAT FINNISH AGRICULTURAL LEVIES IN MOST CASES ARE NOT VARIABLE LEVIES BUT SPECIFIC DUTIES WHICH CAN BE, AND OFTEN ARE, BOUND. THUS, U.S. TARIFF REQUESTS FOR BINDINGS OF FREE DUTIES ARE ALSO INAPPROPRIATE SINCE THE SO-CALLED LEVIES ARE ACTUALLY APPLIED AS DUTIES. IN ANY CASE, AS OF JULY 1978 NEARLY ALL AGRICULTURAL LEVIES WILL HAVE BEEN CONVERTED TO AD VALOREM RATES (UNBOUND LEVIES WERE CONVERTED JANUARY 1978; BOUND LEVIES WILL BE CONVERTED JULY 1 AFTER COMPLETION OF GATT ARTICLE XXVIII NEGOTIATIONS). THE NEW AD VALOREM RATES ARE THE RATES ON WHICH FINLAND MADE ITS AGRICULTURAL TARIFF OFFERS. FOR PRODUCTS ON WHICH FINNISH TARIFF OFFER WAS MINIMAL, FINLAND CLAIMED THAT THE VALUE OF OFFER LAY IN THE BINDING AND WAS SIGNIFICANT.

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4. FINLAND ALSO OBSERVED THAT THE IMPORT LICENSING REQUIREMENTS AND QUOTA RESTRICTIONS REQUESTED BY THE U.S. ON A NUMBER OF PRODUCTS WERE APPLIED FOR BALANCE OF PAYMENTS REASONS AND WERE CONSISTENT WITH GATT ART. XII. HE MAINTAINED, THEREFORE, THAT THESE PRACTICES WERE NOT NEGOTIABLE.

5. US REQUESTS BY PRODUCT SECTOR:

A. LIVESTOCK AND MEAT PRODUCTS. FINLAND SAID THAT THE CURRENT 8 PERCENT DUTY (CONVERTED FROM 1.6 M/KG LEVY) ON LIVE POULTRY (01.05.300) WOULD BE REDUCED TO 5.2 PERCENT IN THE FINNISH OFFER. FINNISH DEL SUGGESTED THAT THIS COULD BE ROUNDED TO 5 PERCENT BUT FINLAND WOULD NOT BE PREPARED TO GO FURTHER. THE US REQUEST FOR A SPECIAL "HOTEL QUOTA" FOR BEEF (02.01.205 AND 02.01.209) COULD NOT BE ACCOMMODATED, ACCORDING TO FINNISH DEL. FINLAND'S OBJECTIVE IS SELF-SUFFICIENCY IN MEAT AND THIS EXTENDS TO THE HIGH QUALITY TRADE. FINNISH DEL NOTED THAT ABOUT 20 PERCENT OF FINLAND'S BEEF PRODUCTION IS FROM FED HEREFORD AND ABERDEEN CATTLE WHICH GOES

TO HOTELS AND RESTAURANTS. FOR PREPARED POULTRY MEAT
(THE TARIFF NUMBER IS NOW EX 16.02.613 AND THE TARIFF
IS NOW 10 PERCENT), NO OFFER IS POSSIBLE ACCORDING TO
FINNISH DEL BECAUSE OF FINLAND'S POLICY OF SELF-SUFFI-
CIENCY IN MEAT. HE ADDED THAT FINLAND IS MORE THAN
SELF-SUFFICIENT IN POULTRY AND THAT THE EXCESS IS FED
TO MINKS.

B. VEGETABLES. THE NEW RATES APPLYING TO DRIED VEGE-
TABLES, 07.05.019 AND 07.05.080, ARE RESPECTIVELY 37
PERCENT WITH A MINIMUM OF 1.17 M/KG, AND 9 PERCENT.
FINLAND NOTED THAT THE EC HAD REQUESTED A REDUCTION TO
5 PERCENT FOR 07.05.080 AND THAT THIS WOULD PROBABLY BE
OFFERED. FOR CANNED CORN (EX 21.07.908) THE FINNISH DEL
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EXPRESSED CONFIDENCE THAT AN OFFER MIGHT BE MADE LATER IF NECESSARY. HE IMPLIED THAT CANNED CORN WAS REMOVED FROM THEIR OFFER LIST BECAUSE THE LIST WAS "GETTING TOO LONG".

C. FRESH FRUITS. FINLAND'S OFFER ON FRESH GRAPES (EX 08.04.10) IS A TARIFF REDUCTION FROM THE NEW RATE OF 5 PERCENT TO 2 PERCENT, A GREATER THAN FORMULA CUT. FINNISH DEL EXPLAINED THAT THE IMPORT CALENDAR APPLYING TO APPLES AND PEARS ARE MORE LIBERAL IN PRACTICE THAN ON PAPER SINCE THE FREE SEASON IS OFTEN OPENED EARLIER THAN DECEMBER 10. MOREOVER, HE SAID THAT US APPLES AND PEARS ARE ALWAYS AVAILABLE IN FINLAND DURING THE CHRISTMAS SEASON SINCE THEY CAN BE SHIPPED EARLY, STORED IN LIMITED OFFICIAL USE

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FREE PORT, AND BE AVAILABLE IN STORES VIRTUALLY ON OPENING DAY. HE STATED, THEREFORE, THAT FINLAND WOULD NOT BE PREPARED TO SACRIFICE THE FLEXIBILITY IT NOW HAS TO MODIFY THE OPENING DATES BY BINDING EARLIER DATES.

D. CANNED FRUIT AND FRUIT JUICES. FINLAND IS OFFERING TARIFF REDUCTIONS ONLY ON CERTAIN FRUIT AND JUICES WITHOUT ADDED SUGAR--THUS THE FORMULA OFFER ON 20.06.609 (CANNED PEACHES WITHOUT ADDED SUGAR), BUT NO OFFER ON 20.06.601, (CANNED PEACHES WITH ADDED SUGAR); A FORMULA OFFER ON 20.06.909 (FRUIT COCKTAIL WITHOUT ADDED SUGAR), BUT NO OFFER ON 20.06.901 (FRUIT COCKTAIL WITH ADDED SUGAR); A REDUCTION FROM 30 TO 20 PERCENT ON ORANGE (20.07.301), GRAPEFRUIT (20.07.401) AND "OTHER" CITRUS (20.07.501) JUICES, BUT NO OFFER ON THOSE JUICES CONTAINING ADDED SUGAR. THE FINNISH DEL GAVE INEXPLICABLE REASON FOR THESE NO-OFFERS AS BEING THAT DOMESTICALLY PRODUCED JAMS AND JELLIES WOULD FACE COMPETITION FROM HOME-MADE PRODUCTION "BY HOUSEWIVES" IF FRUIT ALREADY CONTAINING SUGAR WERE AVAILABLE AT LOW COST. HE SAID THAT SUGAR IN FINLAND IS VERY EXPENSIVE. US DEL EXPRESSED SKEPTICISM THAT THIS EXPLANATION PROVIDED ADEQUATE REASON FOR NOT MAKING AN OFFER. FINNISH DEL CONVEYED IMPRESSION, HOWEVER, THAT FURTHER TARIFF REDUCTIONS ON PRODUCTS NOT CONTAINING ADDED SUGAR MIGHT BE POSSIBLE BUT FOR SUCH ACTION THERE WOULD HAVE TO BE COMPENSATION.

E. GRAINS. FINLAND'S OFFER ON RICE (10.06.100, 10.06.300, AND 10.06.500) WAS TO REDUCE THE AD VALOREM DUTIES NOW APPLIED FROM 15 TO 12 PERCENT FOR THE FIRST TWO AND FROM 25 TO 20 PERCENT FOR THE THIRD. WHILE THE DEPTH OF CUT WAS NOT GREAT, THE FINNISH DEL ARGUED THAT AN

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IMPORTANT BENEFIT FROM THE CONCESSION WOULD BE GATT BINDINGS WHICH HAD NOT EXISTED PREVIOUSLY. FURTHER REDUCTIONS WOULD NOT BE OFFERED, HE SAID, BECAUSE OF COMPETITION WITH POTATOES AND BARLEY. FINNISH DEL EXPRESSED DOUBT THAT FINLAND COULD EX-OUT "SPECIALTY FLOURS" FROM ORDINARY WHEAT FLOUR. IF US COULD SUPPLY TECHNICAL SPECIFICATIONS, HE SAID, FINLAND MIGHT RE-CONSIDER. HE SAID FURTHER THAT IF THESE PRODUCTS CONTAIN ANY INGREDIENTS THEY WOULD PROBABLY ENTER UNDER CHAPTER 19 RATHER THAN 11. FINNISH REACTION TO US PROPOSAL ON CORN (REF A) WAS ONE OF SKEPTICISM. FINNISH DEL CITED CONSTANT OVERSUPPLY OF FEEDGRAINS IN FINLAND AND FACT THAT INTERNAL AND TRADE POLICIES FOR GRAINS ARE CONTROLLED BY STATE MONOPOLY AS INDICATIONS THAT SPECIFIC US PROPOSAL WOULD HAVE LITTLE PRACTICAL EFFECT IN FINNISH MARKET. HE ADDED THAT FINNISH CONTRIBUTIONS TO MARKET STABILITY MIGHT TAKE FORM OF COMMITMENT TO KEEP A HIGH STOCKING CAPACITY FOR GRAINS.

F. OILSEED PRODUCTS. THE FINNISH RESPONSE TO US REQUESTS ON SOYBEAN OIL (15.07.101 AND 109) AND COTTONSEED OIL (15.07.151) WAS A FLAT "NO". FINLAND CONSIDERS THAT THE PRICE RELATIONSHIP BETWEEN BUTTER AND MARGARINE WOULD BE AFFECTED BY INCREASED VEGETABLE OIL IMPORTS WITH A RESULTING IMPACT ON OTHER DAIRY PRICES. FINNISH DEL REMARKED THAT THE ISSUE WAS CONNECTED WITH THE PROTECTION OF FINLAND'S AGRICULTURAL SUPPORT SYSTEM. HE DREW ATTENTION, HOWEVER, TO FINLAND'S ABOLITION OF THE VARIABLE LEVY NOTIFIED BY THE US, WHICH HE SAID HAD NOT BEEN AN "IMPORT" LEVY ANYWAY; IT HAD APPLIED TO DOMESTIC OILS AS WELL. THE US REQUEST ON VEGETABLE PROTEIN CONCENTRATES WAS REJECTED FOR SEVERAL REASONS, THE MOST IMPORTANT BEING COMPETITION BETWEEN MEAT ANALOGS AND MEAT. FINNISH DEL ALSO NOTED THAT FINLAND'S FOOD LAWS WERE VERY STRICT ON MEAT SUBSTITUTES AND BELIEVED THAT SUCH PRODUCTS COULD ONLY BE SOLD IN HEALTH FOOD

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STORES.

G. ALCOHOLIC BEVERAGES. FINLAND SUGGESTED THAT US SUPPLY LIST OF BRANDS IT WOULD LIKE LISTED. FINLAND WOULD CONSIDER ADDING THOSE BRANDS ON A TRIAL BASIS IF THE VODKA ISSUE IS SETTLED. HOWEVER, THE FINNISH DEL

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OBSERVED THAT FINLAND WOULD NOT BE ABLE TO MENTION THIS
"OFFER" IN THEIR OFFICIAL LIST FOR FEAR OF ACCUSATION
OF DISCRIMINATION.

H. TOBACCO. FINNISH DEL STATED THAT THERE WERE NO
QUOTAS OR LICENSING RESTRICTIONS ON MANUFACTURED TOBACCO
PRODUCTS, ONLY A DUTY OF 24 M/KG (CIGARETTES). HE
POINTED OUT THAT FINLAND'S OFFER ON UNMANUFACTURED
TOBACCO (CONVERT SPECIFIC .28 M/KG DUTY TO AD VALOREM
AND REDUCE TO 1 PERCENT) WAS IN RESPONSE TO CANADIAN
REQUEST BUT FINLAND WOULD BE LOOKING AT U.S. RESPONSE.
HE ADDED THAT FINLAND WOULD PROBABLY WITHDRAW THE OFFER
IF THE U.S. IS NOT INTERESTED, OR THEY WOULD BE WILLING
TO SIMPLY REDUCE THE SPECIFIC DUTY IF THE US PREFERRED.
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6. FINNISH REQUESTS: FINLAND EXPRESSED CONCERN OVER US PRINCIPAL SUPPLIER CRITERIA FOR MAKING OFFERS BUT AGREED TO TRY TO IDENTIFY SPECIFIC PRODUCTS IN WHICH FINLAND IS PRINCIPALLY CONCERNED. THIS APPLIES TO REQUESTS ON EDIBLE PREPARATIONS SWEETENED WITH XYLITOL (EX 182.98) AND CONFECTIONERY (157.10). OF OVERRIDING CONCERN TO FINLAND IS THE COUNTERVAILING DUTY ISSUE ON CHEESE. FINNISH DEL HOPED THAT INABILITY TO RESOLVE ISSUE BETWEEN US AND EC WOULD NOT PRECLUDE WORKING OUT SOME SORT OF "MODUS VIVENDI" BETWEEN US AND FINLAND. HE STRESSED, HOWEVER, THAT BECAUSE OF INTERNAL PRESSURES FINLAND WOULD NOT WANT AN EXTENSION OF THE EXISTING "WAIVER" APPROACH, BUT WOULD WANT SOMETHING MORE SECURE. HE INDICATED THAT FINLAND'S SUBSIDIES WERE CURRENTLY VERY LOW BUT THAT SOME FLEXIBILITY WAS REQUIRED TO ALLOW INCREASES OR DECREASES DEPENDING ON SEASON OR MARKET CONDITIONS. NEVERTHELESS, THE FINNISH DEL EXPRESSED CONFIDENCE THAT AN ARRANGEMENT COULD BE WORKED OUT IN OVERALL SUBSIDY COUNTERVAIL CONTEXT AND ASSURED US OF FINLAND'S ACTIVE PARTICIPATION IN THOSE DISCUSSIONS.

7. FINLAND INFORMED US THAT ADDITIONAL REQUESTS TO BE CIRCULATED BY SWEDEN (REF B) WILL ALSO BE REQUESTED BY FINLAND.

8. DRAFTED BY DRAZEK. CULBERT

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